The sensitivity of inflation expectations to inflation surprises has been steadily declining over time. But this downward trend seems to have come to a halt more recently, especially among advanced economies.

Sources: Consensus Economics; Haver Analytics; and IMF staff calculations.

Note: The figure shows the response of inflation expectations at various horizons to a 1 percentage point unexpected increase in inflation based on time-varying coefficients from country-specific estimations using a Kalman filter. The sensitivity for 5+ years corresponds to the average of estimations using 5- and 10-year-ahead inflation expectations.